COMPANY RESULTS

Westports Holdings (WPRTS MK)

2Q25: Beat Expectations On Opex, Tariff Hike To Lift 2H25 EBITDA

WPRTS recorded impressive EBITDA margins in 1H25 (due to high VAS and optimal opex structure), and the port tariff hike of Jul 25 supports the case for stronger 2H25 earnings. As we expected, the 2Q25 transshipment rebound capitalising on the tariff holiday helped WPRTS remain on track vs the low single-digit volume growth guidance. Given its defensive position, we upgrade our forecasts by 17-25%. Maintain HOLD with adjusted target: RM5.50 (implied 12x EV/EBITDA).

2Q25 RESULTS

Year to 31 Dec (RMm)	2Q FY25	qoq (% chg)	yoy (% chg)	Ytd FY25	yoy (% chg)
Operating Revenue	**691.1**	**11.2**	**25.0**	**1,312.4**	**19.7**
- Container	511.0	3.7	6.0	1,409.0	48.0
- Conventional	36.0	(2.7)	(2.7)	929.5	1,191.0
EBIT	**321.6**	**2.2**	**17.1**	**636.4**	**16.8**
Operating margin (%)	*46.5%*	*-4.1%*	*-3.1%*	*48.5%*	*-1.2%*
Net finance cost	(23.1)	(0.1)	145.8	(46.2)	158.1
JV/associates	2.0	143.4	264.9	2.8	(33.0)
PBT	**300.5**	**2.8**	**13.0**	**593.0**	**11.6**
Tax	(68.9)	(1.6)	10.9	(138.9)	12.9
Net Profit	**231.6**	**4.1**	**13.7**	**454.1**	**11.2**
Core Profit	232.2	4.4	14.0	**454.6**	3.0

Source: Westports Holdings Berhad, UOB Kay Hian

RESULTS

- **1H25 core profit beat our expectations and met consensus estimates.** Comprising 54% and 49% of our and consensus forecasts respectively, the positive deviations were due to: a) consistently improving EBITDA margin (1H25: 64.6% vs 1H24: 62%) on optimal cost structure which we now believe to be sustainable, and b) our previous forecasts have yet to fully incorporate the 30% tariff hike that will be implemented in three stages, with the first stage entailing a 15% tariff increase and effective since 15 Jul 25. The latter implies a stronger 2H25 profit, as the tariff hike is implemented fully on the gateway business (43% volume mix), even if the "unsustainable" gateway cargoes and the VAS income normalises.

- **WPRTS showed a remarkable 6%/3% 2Q25/1H25 volume growth,** vs 1% yoy growth in 1Q25, which was entirely due to transshipment recovery. Westports (WPRTS) explained that this was driven by high restow requirements as empty boxes were repositioned mainly back to Far East, to capitalise on the 90-day tariff break. In an earlier update, we highlighted that the 2Q25 volume helped WPRTS maintain full-year volume guidance, and the trend started as early as in Apr 25 (volume growth for overall/ transshipment-only were 7%/17%).

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	2,089	2,281	2,405	2,588	2,802
EBITDA	1,296	1,449	1,625	1,766	1,945
Operating profit	1,038	1,194	1,360	1,484	1,644
Net profit (rep./act.)	780	893	972	1,063	1,178
Net profit (adj.)	780	893	972	1,063	1,178
EPS (sen)	22.9	26.2	28.5	31.2	34.6
PE (x)	24.5	21.3	19.6	17.9	16.2
P/B (x)	5.4	5.0	4.7	4.4	5.4
EV/EBITDA (x)	14.8	13.2	11.8	10.8	9.8
Dividend yield (%)	3.0	3.5	3.8	4.1	4.6
Net margin (%)	37.8	39.4	40.4	41.1	42.1
Net debt/(cash) to equity (%)	7.7	7.8	6.3	9.9	50.0
Interest cover (x)	31.1	26.0	12.8	13.0	13.1
ROE (%)	28.2	30.5	31.7	33.1	42.3
Consensus net profit	-	-	935	1,080	1,165
UOBKH/Consensus (x)	-	-	1.04	0.98	1.00

Source: Westports Holdings Berhad, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM5.59
Target Price	RM5.55
Upside	-0.7%
(Previous TP	*RM4.40)*

COMPANY DESCRIPTION

An integrated facility situated at Port Klang, Malaysia's premier port. It offers container-handling services, whereby volumes are in the twenty-foot equivalent units (TEUs). WPRTS also offers value-added services (VAS)* supporting container handling, including storage, reefer, container freight, removal etc.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	WPRTS MK
Shares issued (m):	3,410.0
Market cap (RMm):	19,062.0
Market cap (US$m):	4,495
3-mth avg daily t'over (US$m):	1.3

Price Performance (%)

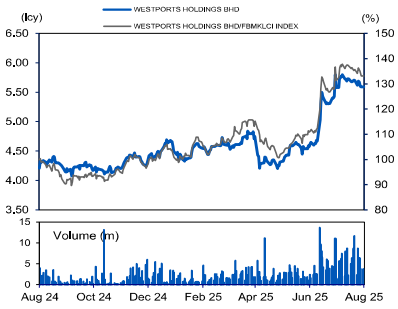
52-week high/low RM5.87/RM4.00

1mth	3mth	6mth	1yr	YTD
3.5	22.1	22.1	24.5	20.0

Major Shareholders	%
Gnanalingam Family	45.5
EPF	7.1

FY25 NAV/Share (RM)	1.09
FY25 Net Cash/Share (RM)	0.01

PRICE CHART



Source: Bloomberg

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- **Gateway TEUs momentum and VAS moderated, especially from "unsustainable" cargoes.** To recap, gateway TEUs surged materially from a 3.6-3.9m TEU base (pre-2022) to 4.91m TEUs in 2024. WPRTS attributed some of the gateway TEU additions to "unsustainable" or illegal cargoes ie, e-waste, scrap iron and metal imports. Stricter regulatory enforcement on these areas curtailed some TEUs and boosted VAS in the interim, but nevertheless it is a step in the right direction. VAS ratio surged to 23% in 2Q25 (2Q24: 22%), implying a VAS income of RM118m (2Q24: RM104m) due to the need for longer-than-expected storage. As an example, from 1 Jan to 13 May 25, the nation's Department of Environment inspected 179 containers, of which 122 (or 68%) were confirmed to contain e-waste.

- **No risk of impairments to storage.** Port Klang's storage charges for empty containers, which had not changed since 1966 at only RM4/TEU, were a key reason for long-term storage. This contributed to severe yard congestion in Jun 25. The storage charges were adjusted 3x higher to RM12/TEU (alongside with the latest tariff hike). This measure should address yard congestion directly by supporting responsible storage users in ports. We understand the storage charges are being paid, and any overdue stored cargoes were reexported out. Overall, the impact on goods pricing from higher port charges (or tariff) is negligible: a 20-foot container carrying 20 tonnes of cargo sees an increase in handling charges of just 0.45 sen per kilogram.

- **There is growth in the "sustainable" gateway cargoes.** WPRTS could not quantify the exact volumes of "unsustainable" gateway cargo but remains focused on capturing gateway volumes to be able to still deliver medium-term growth. it said gateway cargoes from its known customers including paper recycling mills and regional distribution centres (IKEA, GMA Garnet, Stellantis) are all showing growth. An upcoming integrated logistic hub is Nestle (at RM250m investment) which is expected to be operational in 2026. In addition, the Port Klang Free Zone (PKFZ), which saw growth in TEUs to 0.5m in 2024, has embarked on a 10-year PKFZ 2.0 Masterplan to enhance occupancy, value-added services and digitalisation.

EARNINGS FORECASTS/ RISKS

- **Upgrade 2025-27F earnings by 17%/19%/25%.** We fine-tuned our volume assumptions to be in line with management's, which revealed that the ytd volume (up till Jul 25) is tracking 4% growth. We also incorporated the tariff hikes into our forecasts, but our overall 2025F container yield still appears flattish yoy (1H25: 2% growth), as we conservatively assume in 2H25 that: a) VAS ratio will normalise from a high base, and b) the high-yield gateway volume may taper slightly, which rebalances the container yield relative to transshipment.

- **However, EBITDA forecasts are boosted by 8-9% and reflecting 68% margin** in our forecasts years, as we think VAS will still be elevated vs pre-pandemic levels, as evidenced by Drewry's Global Container Terminal Earnings Index (RHS graph) – that global ports did benefit from congestion-related storage income – and the optimal opex structure to be sustainable especially on fuel costs given the trend of unsubsidised diesel prices.

VALUATION/RECOMMENDATION

- **Maintain HOLD, SOTP target price adjusted to RM5.55 (from RM4.40).** Premised on DCF until 2070 horizon (we had only priced in the WPRTS 2 expansion up to CT13), this implies a 19x 2025F PE and 12x EV/EBITDA. We see a fair-risk reward, after accounting for WPRTS' defensive advantage to benefit from Malaysia's 19% reciprocal tariff from the US, the port tariff hike, MMC Ports IPO, and the developments of the CK Hutchison global port assets sale (including its stake in WPRTS) which was valued at 13.5x EV/EBITDA, a premium vs 8-12x EV/EBITDA trading multiples as well as M&A valuation multiples in the global container ports.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

- **Environmental**
  - **Finetuned new targets to attain Scope 1 operational Net zero carbon emission (NZCE) by 2050.** Scope 2 emissions depend on the electrified equipment fleet, operational electricity intensity and national grid's emission factor.
  - **Enhance safety.** Fewer incidents in 2023 (791) vs 2022 (699) after better reporting.
- **Social**
  - **Diversity.** 50% female representation on the Board of Directors (2022: >30%).
  - **Social investments in** 2021/2022/2023 amounted to RM5.6m/RM3.0m/RM1.6m
- **Governance**
  - 6 out of 10 board members are independent, despite having family representation

VOLUME PERFORMANCE BY TRADE ROUTES

Container m TEU	2Q25	2Q24	% YoY	% Split	1Q25
Transhipment	1.68	1.53	9%	58.3%	1.51
Gateway / OD	1.20	1.19	1%	41.7%	1.18
Total TEUs^	**2.88**	**2.73**	**6%**	**100%**	**2.69**
Intra-Asia	1.73	1.77	-2%	59.9%	1.69
Asia-Europe	0.50	0.38	30%	17.2%	0.41
Asia-America	0.30	0.26	16%	10.6%	0.27
Asia-Australasia	0.22	0.18	21%	7.7%	0.20
Asia-Africa	0.05	0.09	-43%	1.7%	0.06
Others	0.08	0.05	61%	2.8%	0.06

Source: Westports, UOB Kay Hian

COGS BREAKDOWN

Cost RM million	2Q25	2Q24	% YoY	% Split	1Q25
Op. Workforce	78	72	8%	36.8%	78
Depreciation	48	51	-6%	22.5%	47
Fuel	35	41	-13%	16.6%	36
M&R	23	22	4%	11.0%	22
Electricity	14	15	-11%	6.5%	13
Others	14	15	-4%	6.6%	14
Op. Cost^	**212**	**216**	**-2%**	**100%**	**211**

Source: Westports, UOB Kay Hian

CONTAINER REVENUE, VOLUME, YIELDS

(RMm)	2024	2025F	2026F
Throughput (TEUs)	**10.98**	**11.42**	**11.81**
- Growth (%)	*0.9*	*4.0*	*3.4*
- Transhipment	6.07	6.54	6.53
- Gateway	4.91	4.88	5.28
Container yields/ box	**289.13**	**287.16**	**300.86**

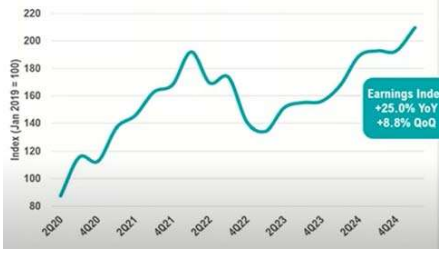
Source: Westports, UOB Kay Hian

DCF VALUATION AND TARGET PRICE

	Stage 1 (2024-29)	Stage 2 (-2054)
EBITDA CAGR (tariff hike)	4.0%	3.0%
EBITDA CAGR (no tariff hike)	3.0%	1.1%
Maintenance Capex (RMm)	110	110
Max Capacity on TEU/hectare	47,550	59,488
Max Capacity on TEU/crane	146,074	182,748
DCF (RMm)	**3,632.3**	**15,555.8**
Risk Free Rate	5.0%	
Beta (x)	0.9	
Tax Rate	25%	
Cost of Equity	8.6%	
Cost of Debt	4.5%	
WACC	**7.6%**	
Enterprise Value (RMm)	**19,188.2**	
- Net Debt, FY25F (RMm)	**(258.2)**	
Target Price	**5.50**	

Source: UOB Kay Hian

GLOBAL CONTAINER TERMINAL EARNING INDEX



Source: Drewry

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**2,281**	**2,405**	**2,588**	**2,802**
EBITDA	1,449	1,625	1,766	1,945
Deprec. & amort.	255	265	282	302
EBIT	1,139	1,249	1,365	1,513
Associate contributions	0	15	17	19
Net interest income/(expense)	(56)	(127)	(136)	(149)
Pre-tax profit	**1,139**	**1,249**	**1,365**	**1,513**
Tax	(241)	(276)	(302)	(335)
Minorities	0	0	0	0
Net profit	**893**	**972**	**1,063**	**1,178**
Net profit (adj.)	893	972	1,063	1,178

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	1,687	1,372	1,314	1,247
Other LT assets	4,733	5,053	5,467	5,870
Cash/ST investment	255	328	390	493
Other current assets	1,104	1,234	1,383	1,548
Total assets	**7,778**	**7,986**	**8,554**	**9,158**
ST debt	539	568	610	659
Other current liabilities	175	150	150	151
LT debt	905	1,002	1,299	1,595
Other LT liabilities	436	436	436	436
Shareholders' equity	3,818	4,072	4,351	4,659
Minority interest	0	0	0	0
Total liabilities & equity	**7,778**	**7,986**	**8,554**	**9,158**

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	**1,291**	**1,234**	**1,345**	**1,482**
Pre-tax profit	1,139	1,249	1,365	1,513
Tax	(167)	(276)	(302)	(335)
Deprec. & amort.	255	265	282	302
Associates	0	(15)	(17)	(19)
Working capital changes	46	12	17	20
Other operating cashflows				
Investing	**(584)**	**(451)**	**(642)**	**(681)**
Capex (growth)	(50)	(350)	(500)	(500)
Investments	(610)	(137)	(138)	(137)
Others	76	36	(4)	(44)
Financing	**(514)**	**(618)**	**(579)**	**(664)**
Dividend payments	(673)	(718)	(785)	(870)
Issue of shares	0	0	0	0
Proceeds from borrowings	355	341	447	446
Loan repayment	(175)	(150)	(150)	(150)
Others/interest paid	(20)	(91)	(91)	(91)
Net cash inflow (outflow)	**194**	**165**	**124**	**137**
Beginning cash & cash equivalent	**535**	**729**	**894**	**1,018**
Changes due to forex impact	52	0	0	0
Ending cash & cash equivalent	**781**	**894**	**1,018**	**1,155**

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	63.5	67.6	68.2	69.4
Pre-tax margin	49.9	51.9	52.8	54.0
Net margin	30.5	31.7	33.1	35.0
ROA	14.8	15.8	16.5	17.4
ROE	30.4	31.7	33.1	35.0
Growth				
Turnover	26.5	33.3	43.5	55.3
EBITDA	47.2	65.0	79.3	97.6
Pre-tax profit	47.4	61.7	76.8	95.9
Net profit	37.2	48.6	62.4	80.0
Net profit (adj.)	37.2	48.6	62.4	80.0
EPS	37.2	48.6	62.4	80.0
Leverage				
Debt to total capital	28.3	28.3	33.3	37.5
Debt to equity	28.3	28.3	33.3	37.5
Net debt/(cash) to equity	7.8	6.3	9.9	12.7
Interest cover (x)	26.0	12.8	13.0	13.1

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